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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001094

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SUBJECT: CONSUL GENERAL VISITS QALQILIYA; EXPRESSES SUPPORT  
FOR PA AND LOCAL BUSINESSES

REF: JERUSALEM 1079

Classified By: Consul General Jake Walles, per reasons 1.4 (b) and (d)

¶1. (SBU) Summary. The Consul General visited Qalqiliya on June 24, toured a local factory, met the Governor and local business leaders, and emphasized USG support for PA efforts to restore stability and promote private sector growth. Qalqiliya residents emphasized that the city's primary sources of revenue - agriculture, trade with Israel, and employment over the Green Line - have been diminished by movement and access restrictions and the separation barrier, but noted recent improvements in access from the city to other parts of the West Bank. End Summary.

Qalqiliya Economy Still Hobbled by Israeli Restrictions  
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¶2. (SBU) The Consul General traveled to Qalqiliya on June 24 to express support for PA efforts to improve basic government services, restore stability and the rule of law, and promote private sector economic development. Accompanied by USAID and Commercial Service officers, the Consul General met Governor Rafih al-Khandaqji and business leaders, and toured a local textile factory. The Consul General's visit and comments were widely covered in Palestinian media, as the first visit to Qalqiliya by a U.S. Consul General in over five years.

¶3. (SBU) The Governor noted that Qalqiliya is almost completely surrounded by the barrier wall, and five of the governorate's six main villages are cut off from the city center by checkpoints or roadblocks. Qalqiliya business leaders said that the barrier has decimated the city's three main sources of revenue: agriculture, trade with Israel, and employment over the Green Line. Residents said that access to/from the city and the West Bank has been somewhat eased in recent weeks (reftel), but noted that their traditional economic routes all go west.

Trade Depends on Settlements  
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¶4. (SBU) Qalqiliya business leaders stressed that the barrier has made trade with Israel significantly more costly and time consuming. Qalqiliya's nearest commercial checkpoint is in Tulkarem, 25 kilometers to the north, and serves as the main crossing for three other Palestinian governorates. Qalqiliya business leaders told the Consul General that traders (who can afford to) have little choice but to establish "branches" in settlements in order to facilitate easier and faster trade.

15. (SBU) During a tour of a textile factory, owner Fatima al-Jada explained that, after purchasing the yarn, tags (that say "Made in Israel" in Hebrew), and other raw materials from Israel, she creates the final product for export to Europe, the United States, and back to Israel. She told the Consul General that she uses a "packing house" in nearby Emmanuel settlement and exports her products outside the West Bank via yellow-plated trucks. She noted that she was taxed by both the PA and the GOI for having business addresses both in the West Bank and an Israeli settlement, but that "it's worth it." She said that she could set up a relationship with an Israeli middleman inside in Green Line Israel, but that they would have trouble getting her goods out of Qalqiliya. Al-Jada said that she received NIS 4 (USD 1) for a dress that retails at NIS 129 (USD 30) in Israel.

Ongoing Restrictions on Arab-Israelis Visiting Qalqiliya  
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16. (SBU) Palestinian business leaders also reported that Arab-Israelis may enter the city, but are generally not permitted to return to Israel with purchases. One businessman told EconOff that there have been several recent incidents of Arab-Israelis being fined when leaving Qalqiliya under the auspices of the GOI's prohibition of Israelis entering Area A, although they were allowed to enter the city freely.

Comment  
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17. (C) The Qalqiliya area presents a grim picture of a city

JERUSALEM 00001094 002 OF 002

surrounded by the security barrier and a governorate dominated by settlements and the associated military presence. The few economic opportunities that remain consist of subcontracting for Israeli firms, with a large part of the profits accruing to Israeli middlemen and settlers. The overall picture illustrates the negative impact of existing settlements on Palestinian life and the prospect of a viable Palestinian state in the future.

WALLES